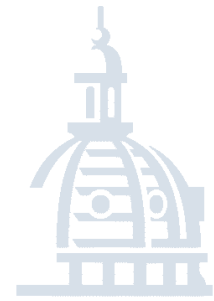


Fiscal Note

Fiscal Services Division



HF 819 – State Historic Tax Credit Program (LSB 1304HZ)
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Fiscal Note Version – New

Description

House File 819 makes changes to Iowa's historic preservation and cultural and entertainment district tax credit program. The Bill increases the annual credit maximum from the current \$20.0 million to \$50.0 million. The Bill also alters the percentage allotment between subcategories of tax credit recipients. The Bill is effective July 1, 2009.

Background

Iowa's historic preservation tax credit program was first enacted in HF 2560 (Income and Property Tax Credits and Exemptions Act of 2000). Cultural and entertainment districts were added in HF 868 (Economic Development Assistance Act of 2005). The annual cap was increased to the current \$20.0 million in SF 566 (Historic Preservation and Cultural and Entertainment District Tax Credit Act of 2007).

The State income tax credit is equal to 25.0% of qualified property rehabilitation costs. The Department of Cultural Affairs administers the program. The Department is allowed to reserve future credit availability for up to three fiscal years. Projects completed prior to the year the certificate is valid must wait until the valid tax year of the tax credit to receive the benefit.

Assumptions

- The Bill raises the tax credit cap for FY 2010 and future fiscal years to \$50.0 million. Current law allows the Department to reserve tax credits for up to three years. Tax credits are valid no earlier than the tax year (TY) indicated on the certificate.
 - For FY 2010, the Department is allowed to reserve \$20.0 million for TY 2009 and \$30.0 million for TY 2010.
 - For FY 2011, the Department is allowed to reserve \$20.0 million for TY 2010 and \$30.0 million for TY 2011.
 - For FY 2012, the Department is allowed to reserve \$20.0 million for TY 2011 and \$30.0 million for TY 2012.
 - For FY 2013 and future fiscal years, the Department is allowed to reserve \$50.0 million for the tax year in which the fiscal year starts.
- The tax credits are refundable.
- The increase first impacts tax year 2010 awards and FY 2011 net General Fund revenue, mostly through tax refunds issued when returns are filed. Any impact on taxpayer estimate payments made prior to July 1, 2010, is assumed to be minimal.
- The Bill increases tax year 2010 certificates by \$30.0 million. They are assumed to be redeemed at the following levels: \$24.0 million in FY 2011 and \$6.0 million in tax year 2012.

Fiscal Impact

The projected increased redemption of historic preservation and cultural and entertainment tax credits will reduce net General Fund revenue by the amounts listed in the right-hand column of the following table.

Net General Fund Direct Impact
(Dollars in Millions)

<u>Fiscal Year</u>	<u>Increase in Tax Credits Awarded</u>	<u>Fiscal Impact: Increase in Tax Credit Redemption</u>
FY 2010	\$0.0	\$0.0
FY 2011	\$30.0	\$24.0
FY 2012	\$30.0	\$36.0
FY 2013	\$60.0	\$60.0
FY 2014	\$30.0	\$30.0

The fiscal impact continues past FY 2014 as long as sufficient demand for tax credits exists. The tax credit is refundable so it does not impact the local option income surtax for schools.

The Department of Cultural Affairs indicates the increased workload will require \$50,000 in additional salary and support expense to receive, evaluate, and approve the additional projects. The Department is funded through a State General Fund appropriation.

Sources

Legislative Services Agency Analysis
Department of Cultural Affairs

/s/ Holly M. Lyons

April 14, 2009

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), Code of Iowa. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
